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FM AMEMBASSY KHARTOUM
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5338
INFO RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0023
RUEHBJ/AMEMBASSY BEIJING PRIORITY 0043
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C O N F I D E N T I A L KHARTOUM 002729

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SUBJECT: RESPONSE: SUDANESE BUSINESS ENTITIES FOR SDN
DESIGNATION

REF: STATE 189361

Classified By: P/E Chief E. Whitaker, Reason: Section 1.4 (b) and (d)

¶1. (C) In response to reftel, Embassy Khartoum offers the following response with respect to proposed identification of Specially Designated National (SDN) entities by OFAC.

¶A. Mission vendors:

1) Sudan Telecommunications Company ("Sudatel")) provides essential telecommunications systems and services utilized by Embassy Khartoum. Also provides basic telecommunications systems and services used nationwide.

2) Nile Petroleum Company) an occasional Embassy Khartoum vendor, although services could be provided by an alternative firm.

¶B. Other considerations:

1) Sudan Gezira Board - major recipient of World Bank loans in the past. Some of the World Bank arrears Sudan holds relate to repayment of the Gezira rehabilitation loan. The Gezira scheme is vital to the country's irrigated sector in more ways than just cotton production and exports; it also provides seasonal employment for laborers from Kordofan and people around the Wad Medani area. If the targeted sanctions were to focus on the Board, which is probably now called a company after the government's privatization program, production might be affected. This could have impacts on the 100,000 tenants (farm leaseholders/owners) and migrant laborers. There are related agro-industries which would be affected, including tractor and agricultural mechanization as well as other inputs, e.g., pesticides, fertilizers, and chemicals.

2) Sudanese Sugar Production Company - together with Kenana, controls nearly 100 percent of sugar exports of Sudan. The sugar companies also employ seasonal migrant labor who would be affected if the sanctions reduce production. All of the sugar companies also relate to the irrigated sector. Similar agro-industries would be affected, such as those listed in 1) above. Kenana also has ties to Kuwait and other Gulf countries.

- 3) Sudatel) designation would have a definite impact on the economy, as communications systems nationwide would be affected, impacting telecommunications, information flows, and dependent governance issues.
- 4) Arab Sudanese Blue Nile Agriculture Company) sanctions would have implications on land issues in Blue Nile State, a part of the sensitive Three Areas.
- 5) Arab Sudanese Vegetable Oil Company and Arab Sudanese Seed Company - private sector firms exist in these sectors that could gain market share if sanctions were to have an effect on the GOS control of these companies.
- 6) Sheikan Insurance and Reinsurance Company - other companies could pick up market share if the company is targeted. The linkage between Sheikan and other companies/banks could be examined further, such as the Bank of Omdurman.
- 7) High Tech Group, Sudan Master Technology, GIAD Automotive Industry - all related to petroleum and industrial sectors.
- 8) Alsunut - conglomerate with its focus on the Mogran Development Project being touted by the government as a major "development" activity.
- 9) Nile Petroleum Company) has interests across the board in the petroleum sector.
- 10) Wafra Pharma Laboratories - other "private" pharmaceutical companies could pick up the market demand.
- 11) Mierag Space Technologies - also has links to petroleum and other information systems.

12. (C) Embassy Khartoum appreciates consideration of these factors in rendering a final OFAC SDN decision, particularly with respect to Sudatel.

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